SOLVENCY AND FINANCIAL CONDITION REPORT
SFCR

Cardif Lux Vie

31 December 2018

CARDIF LUX VIE
GROUPE BNP PARIBAS

L'assureur
d'un monde
qui change

Table of contents

Introduction

This Solvency and Financial Condition Report concerns the company Cardif Lux Vie. It is based on the results of the assessment under Solvency 2 standards for fiscal year 2018, as presented on 11 April 2019 by the Audit and Risks Committee to the Board of Directors. The report was approved by the Audit & Risks Committee at its meeting on 17 April 2019.

The requirements for the Solvency and Financial Condition Report are laid down in Articles 51 to 56 of the Solvency II Directive and its Delegated Acts, adopted on 10 October 2014 by the European Commission. They provide details on the content, structure and disclosure of reports:

Articles 290 to 292:	Definition of the structure, materiality and summary
Article 293:	Business and performance
Article 294:	System of governance
Article 295:	Risk profile
Article 296:	Valuation for solvency purposes
Article 297:	Capital management

The report contains narrative information in quantitative and qualitative form, supplemented, where appropriate, with quantitative templates.

Unless stated otherwise, all data presented in this report are in millions of euros.

Jacques Faveyrol

Chief Executive Officer

Value creation overview

Business and performance

Cardif Lux Vie is a Luxembourg insurance company positioned among the major players in the market.

Backed by a solid shareholding structure (BNP Paribas Cardif and BGL BNP Paribas), it successfully combines local know-how and international expertise to meet the specific needs of its clients and partners.

Cardif Lux Vie's revenue stood at €2.7 billion at 31 December 2018, down 3.5% from 2017. Wealth Management recorded revenue of €2.5 billion, down slightly (-4%) from 2017, while in the Luxembourg market, inflows totalled €186 million, an increase of more than 10% on 2017.

Cardif Lux Vie recorded net profit after tax of €36 million, down 5% compared with 2017.

The rate of return on assets fell by 28 basis points to stand at 2.6% in 2018. Composed mainly of bond coupons, the performance of the Cardif Lux Vie General Fund is sensitive to the current low interest rate environment.

On 3 September 2018, Cardif Lux Vie took over the insurance company ABN AMRO Life S.A. as part of the acquisition by BGL BNP Paribas of all the shares issued by ABN AMRO Bank (Luxembourg) S.A.

ABN AMRO Life S.A. has been renamed Cardif Life, and will now operate under the Cardif Lux Vie brand.

This transaction reinforces Cardif Lux Vie's position as a major player with an active and responsible role in the consolidation of the international life insurance sector.

System of governance

Cardif Lux Vie is a public limited company with a Board of Directors and General Management.

The Board of Directors of the Company has three special committees: the Audit and Risks Committee; the ALM and Investments Committee; the Remuneration Committee.

The Solvency II regulations, as applied within Cardif Lux Vie, define the following four key functions:

- Risk Management function;
- Compliance function;
- Audit function;
- Actuarial function.

The independence of key functions is guaranteed by a right of access to Board members for the heads of key functions in the event of a major risk or serious malfunction likely to compromise the accountability of directors or the sound management of the Company.

Risk profile

The Solvency Capital Requirement (SCR) has risen by 17% since 31 December 2017, mainly due to increased market risk.

The SCR for market risk is €397 million, up 18% on 2017 before diversification. This accounts for 84% of the overall SCR. It consists of six risk modules, most notably spread and equity risk.

The subscription risk SCR stood at €165 million at 31 December 2018, down 8% from 31 December 2017.

Valuation for solvency purposes

Cardif Lux Vie's statutory financial statements are prepared in accordance with Luxembourg standards. Cardif Lux Vie prepares its balance sheet under Solvency II in accordance with Article 75 of the Solvency II Directive, i.e. principally at market value.

Capital management

The aim of Cardif Lux Vie's Capital Management Policy is to comply with regulatory solvency requirements, to cover at least 100% of the SCR defined within the framework of the own risk and solvency assessment (ORSA), and to structure own funds, seeking the best balance between share capital, subordinated debt and other own-fund items, in view of the regulatory limits and thresholds.

At 31 December 2018, the amount of own funds eligible for the SCR totalled €642 million. The amount of own funds eligible for the Minimum Capital Requirement (MCR) came to €545 million.

The SCR was €476 million and the MCR was €214 million at 31 December 2018.

The SCR and MCR coverage ratios were 135% and 255%, respectively.

A. Business and performance

A.1 Business and external environment

Cardif Lux Vie (the "Company") is a public limited company under Luxembourg law, formed from the merger on 30 December 2011 of FORTIS LUXEMBOURG VIE S.A., established on 31 March 1989, into Cardif Lux International, established on 5 April 1994.

The Company's registered office is situated at 23-25, Avenue de la Porte Neuve, L-2227 Luxembourg.

The Company is registered in Section B of the Luxembourg Companies Register under the number 47.240.

The Company is involved in all insurance, co-insurance and re-insurance activities in the life assurance sector.

The Company's annual financial statements are audited by Deloitte Audit, 560 Rue de Neudorf, L-2220 Luxembourg, under the responsibility of Jérôme Lecoq, Certified Auditor.

Cardif Lux Vie is supervised by the Commissariat aux Assurances, 7 Boulevard Joseph II, L-1840 Luxembourg.

A.1.a High-quality shareholders

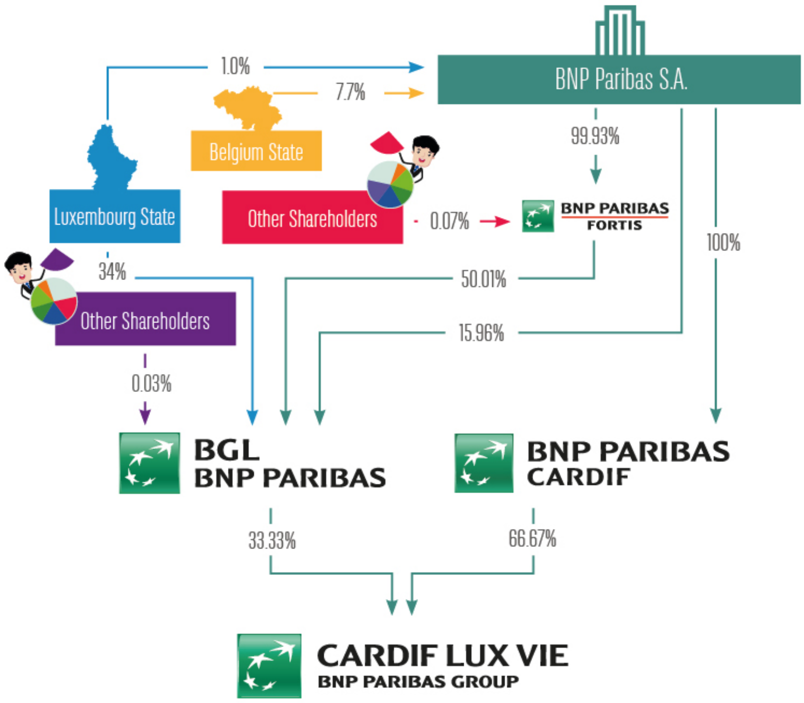
Cardif Lux Vie has a solid shareholder base with strong local and international links.

On 21 December 2018, BNP Paribas Cardif acquired the Cardif Lux Vie shares previously held by Ageas to become the majority shareholder of Cardif Lux Vie with a 66.67% stake. BGL BNP Paribas retains a 33.33% stake in Cardif Lux Vie.

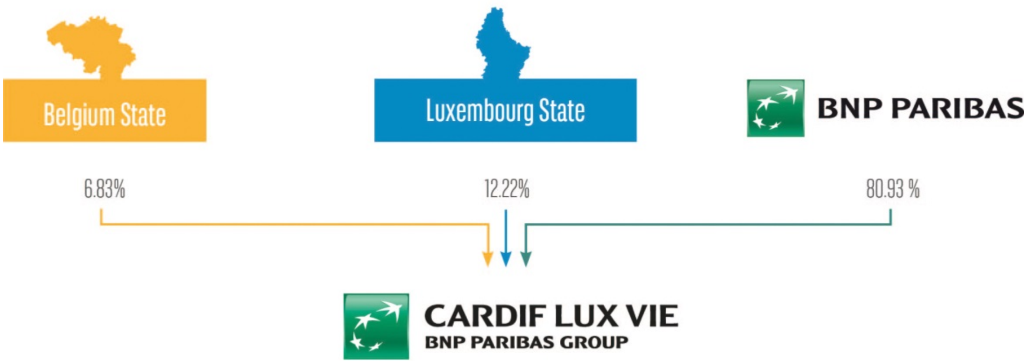
BNP Paribas Cardif is the insurance subsidiary of the BNP Paribas Group, a European leader in banking and financial services and one of the strongest banks in the world. Operating in 36 countries and firmly positioned in three regions (Europe/Middle East/Africa, Asia and Latin America) with some 100 million customers, BNP Paribas Cardif has become a world specialist in personal insurance and a major player in financing the economy.

BGL BNP Paribas is one of the largest banks in the Grand Duchy of Luxembourg and is part of the BNP Paribas Group. It offers an especially wide range of financial products and bancassurance solutions to individuals, professionals, private banking clients and businesses.

ENLARGED VISION OF THE SHAREHOLDER



SCHEMATIC INDIRECT SHAREHOLDINGS



A.1.b Lines of business and geographical regions

Cardif Lux Vie successfully combines local know-how and international expertise to meet the specific needs of its clients and partners:

- **Local market**: in Luxembourg and the Greater Luxembourg Region, Cardif Lux Vie provides bancassurance and brokerage networks with savings and retirement life insurance and loan insurance solutions for private individuals and professionals;
- **Wealth Management**: for high net worth clients active internationally, Cardif Lux Vie offers sustainable bespoke solutions through an extensive network of first-class partners (private banks, financial institutions, brokers, etc.). Using a comprehensive range of wealth structuring tools, the planning solutions offered provide support to clients and partners over the long term.

A.2 Performance of the underwriting business

The following figures are taken from the annual financial statements of Cardif Lux Vie. The income statement net of reinsurance and after tax is presented below:

In millions of euros	2018	2017	%
Premiums	2 662	2 760	-3.5%
Investment income	496	281	76.5%
Unrealised gains on investments	76	771	-90.2%
Other technical income	9	9	0.5%
Claims incurred	- 1 265	- 1 430	-11.5%
Cost of life insurance provisions and other technical provisions	- 469	- 2 015	-76.7%
Bonus and rebates	- 111	- 118	-6.1%
Acquisition and administrative costs	- 88	- 81	8.2%
Investment charges	- 97	- 66	45.5%
Unrealised losses on investments	- 1 162	- 55	2000.8%
Other technical charges	- 3	- 2	33.0%
Allocated investments return transferred	- 5	- 6	-16.8%
Technical result of life insurance operations	44	47	-7.2%
Non-technical result (excluding taxes)	5	6	-16.8%
Pre-tax profit for the period	48	53	-8.3%
Taxes	- 12	- 15	-16.4%
Profit for the period	36	38	-5.1%

A.2.a Growth in revenue

In a complex economic and regulatory environment, Cardif Lux Vie earned €2.7 billion in premiums, down 3.5% from 2017.

In millions of euros	2018	2017	%
Wealth Management – Unit-linked	1 561	1 868	-16.4%
Wealth Management – General Fund	924	731	26.4%
Total Wealth Management	2 485	2 599	-4.4%
Total Retail	146	125	16.9%
Total Employee Benefit	40	44	-8.3%
Total Local market	186	168	10.4%
Total Inflows	2 671	2 768	-3.5%

The €9 million difference in premiums for 2018 (2017: €8 million) between the two statements above is due to ceded reinsurance premiums.

In an uncertain economic and political environment, Cardif Lux Vie has succeeded in maintaining a solid international position, providing asset structuring solutions for residents of 7 European countries (France, Italy, Belgium, the United Kingdom, Spain, Portugal and Luxembourg) and 11 countries outside the European Economic Area.

The Wealth Management business generated revenue of €2.5 billion, down slightly (-4%) from 2017. Net revenue from benefits paid has continued to grow, reaching a record level of €1.3 billion.

Amid strong growth in General Funds, the Company is increasing its market share in the Unit-Linked segment, which accounts for 63% of its inflows.

Cardif Lux Vie had a record year in the Luxembourg local market, confirming its position as market leader in Bancassurance. Inflows totalled €186 million, an increase of more than 10% on 2017.

Savings recorded an excellent performance in 2018, passing the €157 million mark owing to the unique savings proposition – namely the Cardif Lux Vie General Fund – combined with strong demand from resident individuals for prudent capital protection solutions.

In Protection, Cardif Lux Vie saw inflows stabilise at €29 million. Luxembourg's economic and demographic growth and the robust performance of the BGL BNP Paribas network (Cardif Lux Vie's reference partner) in mortgage lending explain the Company's solid performance in the loan insurance segment. The departure of several pension plans from the Employee Benefits business has slightly impacted the upward trend of recent years.

A.2.b Growth in profit for the period

Cardif Lux Vie recorded net profit after tax of €36 million, down 5% from 2017. This reflects the ongoing investments in its transformation plan and work linked to the future integration of Cardif Life.

The Company's technical result was boosted by the moderate 3% growth in assets under management for the savings business, which coincided with the market downturn. The 2018 technical result was impacted by non-recurring expenses and by the fall in protection income due to an exceptional year in 2017 in terms of claims.

General expenses, up from 2017, include the investments needed to support the Company's transformation plan with the delivery and roll-out of its new contract management system, as well as work linked to the future integration of its subsidiary Cardif Life.

Cardif Lux Vie ended the financial year with a technical result for its insurance business of €44 million, down 7% from 2017.

The Company recorded a fall in its non-technical result linked to its return on equity. This was mainly due to lower results than in 2017 and a decrease in the rate of return on its assets in 2018.

Pre-tax profit stood at €49 million in 2018, down 8% from 2017.

A.3 Performance of investment activities

A.3.a Composition of investments

Assets representing the unit-linked liabilities of Cardif Lux Vie amounted to €15.1 billion at 31 December 2018 (2017: €15.3 billion). The breakdown is as follows:

In millions of euros, at	31 décembre 2018	31 décembre 2017
Internal funds	13 906	14 046
External funds	1 157	1 229
Total unit-linked investments	15 063	15 275

At 31 December 2018, the net carrying amount of **investments for which the investment risk is not borne by the policy holder** was €8.29 billion (2017: €7.34 billion) including accrued interest not yet due (€95 million, 2017: €99 million). These are reported as **investments other than unit-linked investments.**

Cardif Lux Vie's asset allocation, excluding assets covering unit-linked liabilities, was as follows:

Market value in millions of euros, at*	31 décembre 2018	31/12/2017
Equities	166	92
Listed equities	231	55
Government bonds	2 158	2 347
Corporate bonds	4 533	4 183
Structured bonds	148	157
Collective Investment Undertakings	1 528	1 264
Other investments	3	3
Investments (excluding investments representing unit-linked liabilities)	8 767	8 101

* including accrued coupons

The main part of these investments was carried by the General Fund in euros: a net carrying amount of 8.24 billion euros on 31 December 2018, including accrued coupons (2017: 7.32 billion euros) and 8.71 billion euros at market value, including accrued coupons (2017: 8.08 billion euros), of which the breakdown is given below.

In millions of euros, at*	31 décembre 2018		31 décembre 2017	
	Net carrying amount	*Market value*	*Net carrying amount*	*Market value*
Fixed-rate bonds	5 930	6 266	5 634	6 139
Floating-rate and inflation-linked bonds	523	544	500	534
Equity-linked bonds	20	19	45	51
Equities and similar	705	767	508	668
Real estate	242	272	181	203
Short term	532	532	195	195
Diversification assets	289	313	253	287
Total	8 241	8 714	7 316	8 077

* including accrued coupons

At market value, the share of fixed-rate investments (including accrued coupons) in the euro General Fund was slightly lower over one year, standing at 75.5% compared with 79.6% at the end of 2017. In tandem with this, the short-term segment grew by 3.7 points to stand at 6.1% at period-end, while the variable-rate segment was relatively stable, closing at 6.2% compared with 6.6% a year earlier.

Regarding exposure to equity risk (equity funds, direct shares, equity-linked notes, diversified assets, private equity, etc.), this was stable over the year as it only rose by 0.1 points to 9% due to the fall in the stock markets right at the end of the period.

Lastly, among the other diversifications (High Yield, Emerging Debt, Loans), only real estate assets saw their share increase, from 2.5% to 3.1%, mainly due to investments in the health and office sector.

A.3.b Financial performance

The **rate of return on unit-linked investments** was -5.6% in 2018, falling sharply from 2017 (5.3%). This change is due to the decline in the financial markets in 2018.

The **rate of return on assets** in the Cardif Lux Vie General Fund was 2.6% in 2018, down from 2017 (2.8%). While the average returns for fixed income investments continued to edge up compared with 2017, this was not enough to increase the recurring yield, which was impacted by the dilution of net inflows and the maturity of existing bonds in the portfolio.

The realisation of gains on diversification assets was set to avoid exceeding the recurrent yield on these assets.

The difference between the rate of return on the General Fund assets and the gross rate used for customers is allocated to the profit-sharing reserve.

A.4 Performance of other activities

There are no other activities to review.

A.5 Other information

There is no other specific information.

B. System of governance

B.1 General information about the system of governance

Cardif Lux Vie is a public limited company with a Board of Directors and General Management.

B.1.a Board of Directors

The Board of Directors is a collegiate body which represents all of the shareholders and acts in the Company's interest at all times.

The Board of Directors ensures that the business runs smoothly and debates and decides on matters that concern the Company. It is also responsible for strategic decision-making. It approves the various mandatory reports and written policies, in accordance with Article 71-3 of the Law of 7 December 2015.

The Board of Directors may perform or commission audits and inspections as it sees fit and monitors the quality of information given to shareholders.

Functioning of the Board of Directors

The Board of Directors meets at least four times a year, and whenever it is in the Company's interests to do so or the circumstances so require.

Prior to Board meetings, directors receive information enabling them to discharge their duties in the appropriate manner. They may also be sent important and urgent information at any time, particularly between Board meetings.

In 2018, the Board of Directors of Cardif Lux Vie met five times.

B.1.b Special committees of the Board of Directors

The Board of Directors of the Company has three special committees: the Audit and Risks Committee; the ALM and Investments Committee; the Remuneration Committee.

These committees have an advisory and supervisory role. They advise the Board of Directors so that it can adopt general policies.

Each committee reports regularly and at least once a year to the Board of Directors on its work.

The committees are composed of three directors appointed by the Board of Directors and the Chief Executive Officer.

- The responsibilities of the Audit and Risks Committee are:
  - to monitor risk, particularly by analysing the quarterly Risk Dashboard,
  - to oversee the Company's financial reporting process and internal control system independently and objectively,
  - to obtain a written statement from the Company's independent auditor at least once a year declaring that its independence has not been compromised,
  - to analyse and evaluate the performance of the independent auditor and internal audit,
  - to prepare the review relating to subjects to be audited at the Company, to be carried out by the Board of Directors,
  - to approve the Compliance activity report.

- The responsibilities of the ALM and Investments Committee are:
  - to monitor the credit, market and liquidity risk of the Company's portfolio,

- to verify the Company's asset/liability matching,
- to perform checks and ensure that investment limits are adhered to,
- to conduct an annual review of the results and performance of the Company's portfolio,
- to review and update the investment criteria at least once every two years.

- The responsibilities of the Remuneration Committee are:
  - to approve the Company's employee remuneration policy,
  - to decide on the remuneration of members of the Executive Committee.

B.1.c Effective manager

The effective manager of the Company is the Chief Executive Officer. He or she is responsible for conducting operations in accordance with the Company's strategic guidelines. To that end, the Chief Executive Officer is fully empowered to act for the Company in any circumstances, subject to the limits of its corporate purpose and the powers specifically granted by law to shareholders' meetings and the Board of Directors.

B.1.d Operational governance bodies

The effective manager is responsible for organising the managerial governance of Cardif Lux Vie, supported by operational governance bodies and a system of delegation of general powers.

Cardif Lux Vie's Executive Committee is responsible for authorising strategic decisions and monitoring the results and financial equilibrium of the Company, as well as any action plans to be implemented. It examines major commercial transactions, development and transformation plans, and human resources issues. It pays special attention to monitoring the efficiency of internal control systems, internal audit and risk management, considered essential for the Company's good governance.

In 2018, the Executive Committee was composed of seven members, including three women.

For risk management, the Executive Committee is assisted by operational committees.

The system of delegation of general powers involves panels of delegatees, who, like the effective manager, can in certain conditions assume obligations on behalf of Cardif Lux Vie towards third parties. These are confined to day-to-day transactions concluded in the normal course of business of the Company on standard market terms.

B.1.e Key functions

The Solvency II regulations, as applied within Cardif Lux Vie, define the following four key functions:

- The Risk Management function, provided by the Actuarial & Risk Management Department, assists the Board of Directors and other functions with implementing the risk management system. It monitors and ensures that the risk profile matches the risk appetite defined by the Board of Directors. It reports on risk exposure and advises the Board of Directors on any questions in relation to risk management. It is also in charge of producing regulatory solvency reports.
- The general role of the Compliance function, provided by the head of the Compliance Department, is to give the effective manager and the Board of Directors reasonable assurance that non-compliance, regulatory and reputational risks are duly monitored, controlled and mitigated.
- The Audit function, provided by the Chairman of the Audit and Risks Committee, is in charge of assessing the adequacy and effectiveness of the internal control system, as well as other elements of the system of governance.
- The Actuarial function, provided by the Actuarial & Risk Management Department, is responsible for coordinating the calculation of technical provisions, ensuring the appropriateness of methodologies, the underlying models and the assumptions used to determine them, and assessing the adequacy and quality of the data used.

Like the effective manager, each person responsible for these key functions must be declared to the Commissariat aux Assurances (CAA) upon his or her appointment.

The Audit and Compliance functions are vertically integrated with the corresponding functions of the BNP Paribas Group. This organisational structure helps to reinforce the independence of these functions.

A governance system sets out the operating procedures of these double linkages for each function: in the event of disagreement between the effective manager of Cardif Lux Vie and the head of the Group function concerned, the Board of Directors adjudicates.

The independence of key functions is guaranteed by a right of access to Board members for the heads of key functions in the event of a major risk or serious malfunction likely to compromise the accountability of directors or the sound management of the Company.

B.1.f Remuneration policy

Cardif Lux Vie's remuneration policy is based on the remuneration policy of the BNP Paribas Group and complies with the European Solvency II Directive.

This is based on the principles of fairness and non-discrimination and involves an annual review of fixed and variable remuneration.

The method of determining individual variable remuneration includes an evaluation of the long-term quantitative and qualitative performance measured against the targets set, and an assessment of the professional conduct of each individual in terms of upholding values, teamwork and following compliance rules, the Code of Conduct and procedures.

The Board of Directors of Cardif Lux Vie is responsible for the remuneration of Executive Committee members.

B.1.g Conflicts of interest

In 2018, no conflict of interest was reported by Cardif Lux Vie's directors.

B.2 Fit and proper requirements

The Board of Directors appoints the effective manager and the heads of key functions in view of their expertise and experience, evaluated according to their professional qualifications, know-how and experience in the insurance industry or other financial sectors.

The effective manager is appointed not only on the basis of his/her expertise and experience gained during his/her career, but also according to the qualities deemed necessary. For example, the effective manager must have solid experience in insurance and financial markets, strategy, system of governance and risk analysis, and actuarial and financial analysis, as well as a thorough understanding of the regulations applicable to insurance undertakings.

The effective manager and the heads of the key functions of Cardif Lux Vie possess – both individually and collectively – the necessary expertise, experience, skills, understanding and personal qualities, particularly in terms of professionalism and integrity, to discharge their duties in relation to each of Cardif Lux Vie's core businesses and ensure effective governance and supervision.

B.3 Risk management system

B.3.a Comprehensive risk management framework

Risk management is a process used to identify, measure, monitor, manage and account for risks originating from the external environment and those intrinsic to the Company. The aim is to guarantee the solvency, business continuity and development of the Company while maintaining satisfactory levels of risk and profitability.

Cardif Lux Vie's risk management is organised around its Chief Risk Officer (CRO) and Actuarial & Risk Management Department, with:

- a comprehensive risk and risk-taking strategy,
- risk governance organised around the four key functions under Solvency II,
- risk management processes and tools that are available even at the operational level.

The main duties of the CRO are as follows:

- to advise the Board of Directors and effective manager on risk governance, policy and management strategy,
- to sit on risk or approval committees and if necessary review risk management decisions, tools and processes which are not directly within his/her remit,
- to produce the internal and statutory risk and solvency reports,
- to be responsible for Solvency II models and tools,
- to act as an integral part of the internal control system (see B.4).

B.3.b Roles, responsibilities and key risk management process

Risk strategy process

The Actuarial and Risk Management Department advises the Executive Committee and the Board of Directors on strategy and proposes the allocation of risk appetite. It defines risk tolerances according to the risk preferences set by the Board of Directors. It ensures that the risk profile corresponds to the risk appetite. It maps the major risks to which Cardif Lux Vie is exposed each year.

Independent review

The Actuarial & Risk Management Department is responsible for advising all levels of management on decisions involving risk, while:

- ensuring the consistency of governance with the risk management framework;
- performing an independent review of the risk assessment;
- proposing any risk mitigation actions required.

Risk modelling

Cardif Lux Vie uses projections to assess risk and solvency ratios under Solvency II regulations, prepare its economic balance sheet, review asset/liability management and perform stress tests. These key models and tools are integrated into the overall technical architecture at the BNP Paribas Cardif level and shared using a common international platform.

The adaptation of products and strategic modelling choices in the projection models used at Cardif Lux Vie are the responsibility of the Actuarial S2 & Risk Management unit within the Actuarial & Risk Management Department.

Specific committees are set up to monitor developments, while detailed process documentation is used to explain the results generated by the models, to identify the limitations of the methodological choices made, and to follow up on these.

Stress tests

In order to benefit from dynamic risk management and monitoring, Cardif Lux Vie has developed a system of stress tests.

Stress tests are an integral part of risk management. They seek to identify the performance of statutory results, solvency and value indicators in different hypothetical environments, so as to better understand the nature of the risks to which the Company is exposed and to better anticipate critical situations.

Appropriate stress tests are carried out at different stages of the risk management cycle: when implementing the risk appetite; when taking, assessing, mitigating and monitoring risk; lastly, when reporting risk.

Following the stress tests, action plans are defined to realign the risk exposure with risk appetite, if necessary.

Capital management

Cardif Lux Vie monitors its capital to ensure an optimised and sufficient capital structure able to fulfil the prudential requirements and provide sufficient financial resilience.

Capital management is the joint responsibility of the Finance Department and Actuarial & Risk Management Department. To ensure that it has a sufficient level of capital, the Company applies the following principles:

- Maintaining the capital at an appropriate level taking into account the business, risk profile, growth, strategic initiatives and regulatory requirements;
- Optimising the prudential capital structure according to the different types of capital in accordance with the regulatory limits;
- Forecasting capital requirements and defining their allocation.

Own Risk and Solvency Assessment (ORSA)

Under the Solvency II Directive, Cardif Lux Vie conducts an annual forward-looking assessment of its solvency and risks, with:

- The definition and evaluation of a capital requirement specific to the risk profile;
- The level of capital that the Company wishes to hold to cover this specific requirement, beyond the regulatory capital requirement;
- The prospective solvency ratios in the context of the medium-term plan;
- The resilience of these ratios in the case of stress tests.

According to the levels of solvency ratios observed and the projections made during the ORSA, capital adjustments may be applied.

Solvency II reporting

Under the Solvency II Directive, Cardif Lux Vie must allow the Commissariat aux Assurances access both to this report and the regular report to the supervisor.

Risk culture

Sound risk management is one of the principles of the BNP Paribas Group, which has always prioritised a culture of risk control and management.

The Actuarial and Risk Management Department is involved in coordinating risk culture initiatives by developing and maintaining a solvency training programme and raising awareness of operational risk (particularly fraud, incident detection and reporting, and risk mapping).

B.3.c Management of risk categories

Management of underwriting risk

Underwriting risk is the risk of loss associated with sudden and unforeseen fluctuations in benefits. Depending on the type of activity, this risk is the result of statistical, macroeconomic or behavioural changes, as well as phenomena linked to public health or disasters.

The system of governance put in place to prevent and monitor underwriting risks is based on documents and tools that define the principles, methodologies and best practices to be followed by the Product Actuarial Department. Premiums are calculated in view of the target profitability and cost of capital set by the Board of Directors.

Reinsurance is an additional element of the underwriting risk management policy, especially in limiting individual exposure and outsourcing risks that do not feature among Cardif Lux Vie's risk preferences or as part of its risk appetite.

Periodic monitoring of these risks is carried out by the Local Risk Committee.

Market, liquidity and credit risk management

Market risk is the risk of loss associated with adverse movements in the financial markets. These adverse movements are mainly reflected in price variations (exchange rates, bonds, equities and commodities, derivatives, real estate, etc.) and are the result of fluctuations in interest rates, spreads, volatility or correlation.

Liquidity risk is the risk of being unable to honour expected or unexpected future liquidity demands arising from insurance obligations, owing to the impossibility of selling the assets within a suitable timeframe.

Credit risk is the risk of loss associated with the credit quality of issuers, counterparties or any other debtor to whom the Company is exposed.

Market and credit risks factor in concentration risk, which corresponds to all exposures for which the risk of loss would be significant.

The investment policy guides the investments of Cardif Lux Vie in accordance with the prudent person principle defined in Article 132 of the Solvency II Directive, Article 114 of the Law of 7 December 2015 on the insurance sector, and Article 53 of Commissariat aux Assurances Regulation No. 15/03 of 7 December 2015. The system of governance covers all key asset management and risk monitoring processes, thus ensuring respect for cross-cutting requirements. The investment rules are formalised in the management agreements.

Investments are made according to the strategic asset allocation defined in the context of asset-liability management (ALM). This allocation, determined by the liabilities incurred, is in line with the risk appetite defined by the Board of Directors.

Operational risk management

Operational risk is the risk of loss resulting from the inadequacy or failure of internal processes, computer malfunctions or external, accidental or natural events. These external events may be human or natural in origin.

This risk must be managed, in the sense that it must be kept within acceptable limits through avoidance, mitigation or transfer measures.

The aims of Cardif Lux Vie's operational risk management are:

- to reduce the likelihood of occurrence of an operational risk event jeopardising:
    - Cardif Lux Vie's reputation;
    - the trust that its customers, partners and employees have in the Company;
    - the quality of its products and services;
    - the efficiency of the processes it manages;
- to put in place a system providing reasonable assurance of risk management to the effective manager, the Board of Directors and the regulator.

These processes rely in particular on the incident reporting framework and risk mapping approach. This makes risk identification more systematic and allows risks to be addressed through appropriate controls or action plans.

B.4 Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment (ORSA) is an ongoing risk management process coordinating and consolidating all processes relating to the identification, quantification, management and oversight of risks and how these are reported. An annual ORSA report has been produced since 2015.

B.4.a Risk profiling

At Cardif Lux Vie, risk profiling is based on the risk appetite statement which sets limits on the nature, quantity and quality of the long-term risks that the Company is ready to take as part of its strategy.

Risk appetite defines the volatility threshold of performance indicators that the Company's shareholders do not want to exceed.

The risk profile is the level of risk of the Company's obligations according to predefined metrics. It is measured at least annually and must be updated following major events (e.g. deterioration in market conditions, acquisition of portfolio, etc.) to ensure that it matches the risk appetite.

The risk metrics used are:

- the maximum deviation accepted in 90% of cases of actual pre-tax profit compared with the budget;
- monitoring of the target solvency ratio in the current prudential environment.

B.4.b ORSA report

The report prepared in 2018 was approved by the Board of Directors after being signed off by the Local Risk Committee. It was sent to the Commissariat aux Assurances.

B.5 Internal control system

B.5.a Organisation of internal control

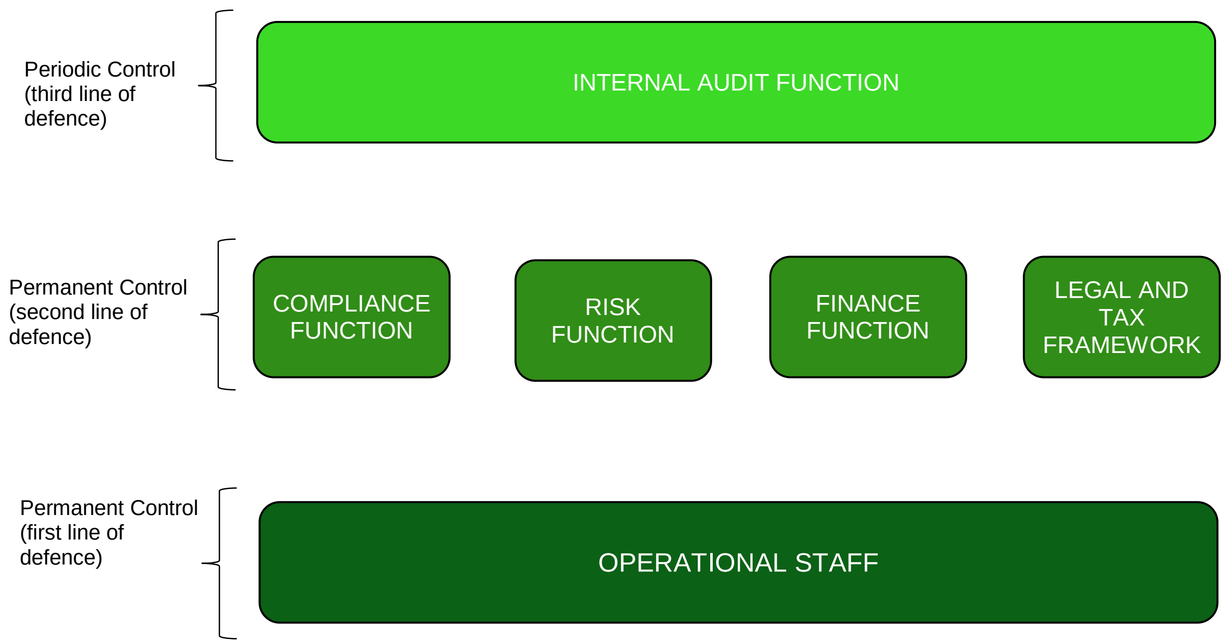
Cardif Lux Vie's internal control and operational risk management policy is established in accordance with the regulatory provisions and standards of the BNP Paribas Group, which apply to it given the nature of its activities.

Cardif Lux Vie has set up an internal control and operational risk management system and framework which are designed to be consistent with best practice in this area, especially as regards the new prudential regime established by the Solvency II Directive.

The internal control system is based on the rules, framework, processes and controls implemented by the management and all employees.

It consists of Permanent Control and Periodic Control, two complementary and coordinated systems which are separate and independent from each other.

- Permanent Control involves ongoing efforts to manage risk and monitor the implementation of corrective actions. This is carried out firstly by operational staff and their management, and secondly by independent functions within BNP Paribas Cardif.
- Periodic Control is responsible for the "ex-post" verification of the functioning of Cardif Lux Vie, including the effectiveness and quality of the Permanent Control system. This audit process is carried out by the Internal Audit function, which operates independently.



Main parties responsible for internal control

- The effective manager, under the supervision of the Board of Directors, is responsible for the Company's entire internal control system;
- Operational staff, regardless of their position within the Company, and particularly line managers, is primarily responsible for their own risk management and are key players in the permanent control process. They are responsible for "level 1" checks;
- The independent permanent control functions carry out "second-level" checks:

    - compliance with legislative and regulatory provisions, ethical and professional standards and guidance from the Board of Directors and effective manager is permanently monitored by the Compliance function;
    - the Risk function reviews underwriting, credit and market risk to ensure that these are consistent and compatible with internal policies and profitability targets, as well as permanently monitoring operational risk;
    - the Finance function is responsible for producing and checking accounting statements and for quality control;
    - other functions are key players in permanent control in their specific areas of responsibility (Legal & Tax Department, Actuarial Department, etc.).
- Periodic control (level 3) is carried out by the General Inspectorate of the BNP Paribas Group;
- Lastly, the Board of Directors conducts internal audits.

The Board of Directors reviews and approves the strategies and policies for risk taking, management, monitoring and mitigation and examines the system of governance. The heads of the Compliance, Risk, Actuarial and Internal Audit functions report to the effective manager and the Board of Directors on the performance of their duties.

The heads of key functions have a direct right of access to the Board of Directors in the event of major risk or serious malfunction likely to compromise the accountability of directors or sound business management.

B.5.b Key internal control procedures

Procedures are one of the key elements of the permanent control system.

Cardif Lux Vie follows the system deployed by the BNP Paribas Group, adapted if necessary to the specific needs of the insurance business.

The written guidelines of the BNP Paribas Group document the organisations and procedures to be applied, as well as the checks to be performed. These procedures constitute the basic reference framework for internal control.

B.6 Internal Audit function

The Internal Audit function is in charge of periodically monitoring the activities of Cardif Lux Vie. It aims to give the effective manager and the Board of Directors an independent assessment of the quality and effectiveness of the system of governance and internal control. It makes recommendations to improve its quality and compliance.

Internal Audit is outsourced to the General Inspectorate – Luxembourg Hub. The outsourcing relationship is documented in a framework agreement between Cardif Lux Vie and BGL BNP Paribas.

The typical assignments carried out by the Internal Audit function follow a multi-year audit plan designed to cover the entire scope according to an audit cycle. The audit plan is based on a Risk Assessment conducted each year by the General Inspectorate – Luxembourg Hub. Special audits can be carried out if necessary. These assignments are carried out in accordance with the specific arrangements defined in the reference texts published by the General Inspectorate of the BNP Paribas Group. The effective manager of Cardif Lux Vie, the Chairman of the Board of Directors of Cardif Lux Vie, the Chairman of the Audit and Risks Committee and the head of the General Inspectorate (Cardif, Group or Luxembourg Hub) can initiate the audit and define its scope.

The Internal Auditors work independently across the entire auditable scope of Cardif Lux Vie. They can examine any topic and have free access to all documents, assets and personnel working directly or indirectly for Cardif Lux Vie. Similarly, they are free to issue their conclusions independently. They must remain independent, objective and impartial in their investigations and cannot be directly involved in operational management. They rely on a set of internal audit procedures maintained by the General Inspectorate of the BNP Paribas Group.

The head of Internal Audit is the chairman of the Cardif Lux Vie Audit & Risks Committee. He/she ensures the independence of this key function.

The head of Internal Audit regularly reports to the Board of Directors of Cardif Lux Vie on its work.

B.7 Actuarial function

The Actuarial function is assumed by the Actuarial and Risk Management Department of Cardif Lux Vie. The head of this department reports directly to the effective manager of Cardif Lux Vie and thus represents the Actuarial key function.

For each of the product lines marketed by Cardif Lux Vie, the Actuarial and Risk Management Department is in charge of identifying, monitoring, quantifying and rationalising the underwriting and asset/liability management (ALM) risks. To ensure that the key functions remain independent, its work is organised as follows:

- the *Product Actuarial unit* is in charge of the introduction of new products. It guarantees the quality of the business written (product approval, pricing and monitoring of the new business plan, approval of the technical bases), ensures that the level of methods and reserves are appropriate under local Luxembourg GAAP, handles underwriting risk reporting and provides an opinion on the adequacy of the level of risk (reinsurance) as part of its underwriting activities.
- the *Actuarial S2 & Risk Management unit* is responsible for the calculation of Solvency II technical provisions, ensuring that the methods, underlying models and assumptions used are appropriate. It monitors and quantifies the underwriting and market risks as part of its prudential closing activities, assesses the adequacy and quality of the data used to calculate technical provisions, prepares the actuarial report, and provides the actuarial function with information on the reliability and adequacy of the calculation of the Solvency II technical provisions.
- the *ALM unit* is in charge of implementing the strategic asset allocation as part of its asset/liability risk monitoring. It oversees the implementation and monitoring of behavioural assumptions (redemption rules) during prospective studies, assesses the adequacy and quality of the data used in the implementation of behavioural rules and SAA-ALM studies, and values the provisions in accordance with IFRS.

The Actuarial and Risk Management Department thus has an overview of underwriting and ALM risks throughout the product life cycle.

To perform its functions, the Actuarial and Risk Management Department adheres to a strict and progressive system of governance at the BNP Paribas Cardif Group level. This technical and decision-making framework enables the owner of the actuarial function to manage situations previously approved by the Group Actuarial function.

For any underwriting business not covered by this framework, the system of governance requires formal approval from the Group Actuarial function at the appropriate level and – depending on the issue – from the other departments involved. It identifies the cases in which this approval must be obtained, and imposes a consensus among the managers involved in order to obtain approval. Regarding the prudential and statutory closing processes and risk monitoring, the system of governance determines the methods and models to be used depending on the nature and materiality of the risks, defines the relevant indicators, and establishes the Group reporting requirements.

The Actuarial and Risk Management Department coordinates the work and consolidates the results. It reports on the consolidated results and its own analysis to the Local Risk Committee. The reporting frequency is stipulated in the system of governance. According to the results of its analyses or cyclical items (increase in claims, natural disaster, deterioration in the economic and financial environment, etc.), the Actuarial and Risk Management Department is expected to conduct, via one of its three units, specific studies which it submits to the Local Risk Committee.

Cardif Lux Vie's compliance with the system of governance is audited annually or semi-annually, depending on the relevant points. It includes completeness checks and random checks.

The Actuarial and Risk Management Department drafts the actuarial report according to the requirements of the Solvency II Directive.

B.8 Outsourcing

B.8.a Outsourced activities

Cardif Lux Vie outsources certain key activities, particularly in relation to IT infrastructure and fund accounting.

B.8.b Governance of outsourcing

The outsourcing framework is governed by a specific governance system within the BNP Paribas Cardif and Cardif Lux Vie Group.

Approved by the Board of Directors, Cardif Lux Vie's outsourcing policy defines the rules for any additional services, including:

- a definition of additional services;
- an explanation of the importance of risk management and the control framework;
- guidelines for monitoring, control and management of outsourced activities during the production phase.

Organisation of subcontracting

Outsourcing at Cardif Lux Vie is overseen by the Chief Operating Officer (COO). The COO is in charge of:

- drafting the outsourcing policy,
- drafting the governance systems and procedures relating to outsourcing,
- permanently monitoring the outsourcing process and overseeing monitoring campaigns,
- compliance advice for the outsourcing of critical or important functions or activities,
- implementing a reversibility scenario with an escalation procedure so that the process can be referred back to Cardif Lux Vie,
- enforcing compliance by implementing the documented security requirements, including aspects such as the business continuity plan (BCP) and disaster recovery plan (DRP), regardless of the different levels of delegation or outsourcing,
- the contribution to regulatory reports.

The COO Office endeavours to involve Cardif Lux Vie's Compliance and Permanent Control functions as soon as possible to ensure that the regulatory, operational risk and business continuity aspects are fully taken into account in the outsourcing project.

Supervisory body

The Outsourcing Committee (or Outsourcing Local Committee) monitors and oversees the risks associated with outsourcing at Cardif Lux Vie. It reviews the risk analysis prepared at each major milestone for each outsourcing project.

The Outsourcing Committee is composed of managers from the various functions involved in outsourcing (Legal & Tax, Compliance, Finance, Risk, Actuarial, Global Security, Operational Risk/Permanent Control, Permanent, IT, etc.) and the Operational Risk Manager (ORM).

Delegation principles

Since Cardif Lux Vie is a subsidiary of the BNP Paribas Cardif Group, it must apply the delegation principles defined in the Group's Outsourcing operating procedure. These principles define the required level of approval for risk analyses performed on outsourcing projects or existing services, as well as the reporting requirements.

The criteria taken into account are:
- the criticality of the service,
- the operational risk associated with the delegated activity.

B.8.c Monitoring system

An annual risk assessment is conducted on risks associated with additional services.

Additional services are also periodically reviewed and documented in a due diligence report prepared by the Permanent Control unit.

Major events in 2018

There were no new outsourcing projects during the year.

In 2018, a visit was made to the premises of the external service provider who assisted Cardif Lux Vie with the implementation of its obligations under the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation.

B.9 Adequacy of the system of governance

In light of the above, the system of governance of Cardif Lux Vie is considered adequate given the nature, scale and complexity of its inherent business risks.

B.10 Other information

There is no other material information.

C. Risk profile

As an insurer, Cardif Lux Vie accepts risks in accordance with its risk preferences and overall strategic framework. Risks are accepted according to the system of governance and related policies and are monitored by the Local Risk Committee.

Cardif Lux Vie's portfolio mainly consists of savings (invested in unit-linked products or euro funds) and protection insurance. The breakdown of assets under management (or provisions under Luxembourg GAAP) is shown below:

This entails the management of several risk categories, both in terms of underwriting and in terms of investment and day-to-day management of these contracts.

Cardif Lux Vie's Solvency Capital Requirement (SCR) is calculated using the standard formula proposed by the European Insurance and Occupational Pensions Authority (EIOPA). It corresponds to the sum of the net BSCR (Basic Solvency Capital Requirement), the operational SCR and the tax adjustment. The BSCR is based on a bottom-up approach, i.e. its calculation is divided into risk modules, which in turn are divided into sub-modules. The capital requirements for each of the different risks are aggregated via a correlation matrix.

The information contained in this chapter covers the nature of the risks to which Cardif Lux Vie may be exposed, the valuation techniques applied, significant risk concentrations, the mitigation techniques used and the procedures for monitoring their effectiveness.

The risk classification applied by the BNP Paribas Cardif Group changes in line with the regulatory requirements and methods. It is based on the following main categories:

- underwriting risk,
- market risk,
- counterparty risk,
- liquidity risk,
- operational risk,
- other risks.

C.1 Underwriting risk

C.1.a Definition

Underwriting risk is the risk of loss associated with sudden and unforeseen fluctuations in benefits. Depending on the type of activity, this risk is the result of statistical, macroeconomic or behavioural changes, as well as phenomena linked to public health or disasters.

C.1.b Risk exposure

Cardif Lux Vie's underwriting SCR amounted to €165 million at 31 December 2018 (2017: €179 million).

The underwriting SCR is composed of the Life and Health modules and breaks down as follows:

In millions of euros, net amount, at	31 December 2018	31 December 2017
SCR Life Underwriting	165	179
SCR Health Underwriting	-	-
TOTAL UNDERWRITING RISK SCR	165	179

The **Life module**, like biometric risks, redemptions and management fees for savings and protection contracts, aggregates several risk sub-modules as defined by Solvency II.

Cardif Lux Vie's main risk sub-modules are:

- The **expense risk** sub-module, which assesses the impact of a 10% increase in costs and a 1% rise in inflation.

  Cardif Lux Vie's expense risk could result from a miscalculation, higher cost inflation than expected, lower management fees on assets under management due to a contraction in business, spending overruns, regulatory developments and company-wide changes.
- The **redemption risk** sub-module, which assesses the impact of a change in redemptions using the most sensitive of the following events:
  - a permanent 50% rise or fall in redemption rates,
  - a sizeable redemption of 40%.

  Cardif Lux Vie is sensitive to the impact of sizeable redemptions mainly originating from unit-linked contracts where the future profits largely depend on the duration of the liabilities in the portfolio.
- The biometric risk sub-modules (**mortality risk, longevity risk and disability risk**) assess the impact of a deterioration or improvement in the life expectancy of policy holders. Since the portfolio is mainly composed of savings contracts, these biometric risks have a low impact on the Life Underwriting SCR.

C.1.c Concentration

Given Cardif Lux Vie's Wealth Management business, the underwriting risk exhibits a **significant degree of concentration.** To limit this risk, Cardif Lux Vie has introduced a policy for the selection and management of material contracts.

In protection insurance, the reinsurance policy limits "peak" risks (high individual exposures).

C.1.d Risk management and monitoring

Risk management and mitigation

The risk monitoring and management system for underwriting risk is based on a system of governance and documented processes. Risk underwriting is consistent with the specific delegation rules, involving several levels – both within Cardif Lux Vie and at the BNP Paribas Cardif Group level – depending on the assessment of the maximum acceptable loss, the estimated capital requirement under Solvency II, and the estimated return on the contracts in question.

Past experience and market analysis are used to regularly update the databases used for risk pricing, taking into account various parameters (type of credit for borrower insurance, coverage, insured population, etc.). Premiums are calculated in view of the target profitability and return on equity set by the Board of Directors of Cardif Lux Vie.

This risk is managed via contractual clauses, where permitted by the regulatory and commercial framework. These include medical screening for high-value policies, or repricing clauses in the event of changes in taxation or an increase in claims, and limitations on the duration of coverage.

Reinsurance is an additional element of the underwriting risk management system. Its objective is to protect Cardif Lux Vie against three main risks:

- “peak” risk, associated with exposure to an individual risk exceeding a predefined threshold, referred to as the “retention amount”,
- catastrophe risk, associated with risk exposure for a single rare event with a severe financial impact (concentration risk),
- new product risk, associated with insufficient pooling, lack of control over technical bases, or uncertainty regarding the data of policy holders.

In savings, underwriting risk is managed by monitoring and managing inflows to the General Fund so as to limit dilution effects on the rate of return on the assets.

In addition, Cardif Lux Vie limits its exposure to the risk associated with the existence of a minimum guaranteed rate in its contracts.

Risk monitoring

The periodic monitoring of underwriting risk is carried out by the Local Risk Committee as part of its ALM and actuarial governance.

C.1.e Stress tests and sensitivity analyses

During pricing, product approval requires a systematic analysis of adverse scenarios (stress tests) or extremely adverse scenarios (crash tests). These analyses are carried out over the same time horizon as the central scenario.

Sensitivity tests were carried out on the Cardif Lux Vie SCR coverage ratio as at 31 December 2018, with the following results:

Coverage ratio at	31 December 2018
Central scenario	135%
10% rise in costs	125%
10% fall in costs	145%
25% increase in withdrawals from the Savings portfolio	139%
25% decrease in withdrawals from the Savings portfolio	134%

If the minimum SCR coverage envisaged in Cardif Lux Vie’s Capital Management Policy is not met, corrective action may be taken to adjust own funds.

For this purpose, Cardif Lux Vie’s Capital Management Policy notably allows partial or total retention of the dividend and the issuance of subordinated debt.

C.2 Market risk

C.2.a Definition

Market risk is the risk of loss associated with adverse movements in the financial markets. These adverse movements are mainly reflected in price variations (exchange rates, bonds, equities and commodities, derivatives, real estate, etc.) and are the result of fluctuations in interest rates, spreads, volatility or correlation.

C.2.b Cardif Lux Vie investments

The composition of the Cardif Lux Vie investment portfolio and its sensitivity to market risk are as follows for each major category of insurance liability:

Investment portfolio covering the liabilities of the General Fund, protection business and own funds

The investment portfolio of the general assets (General Fund, protection business and own funds) is mainly composed of bonds (78%) and investment funds (17%), as shown below.

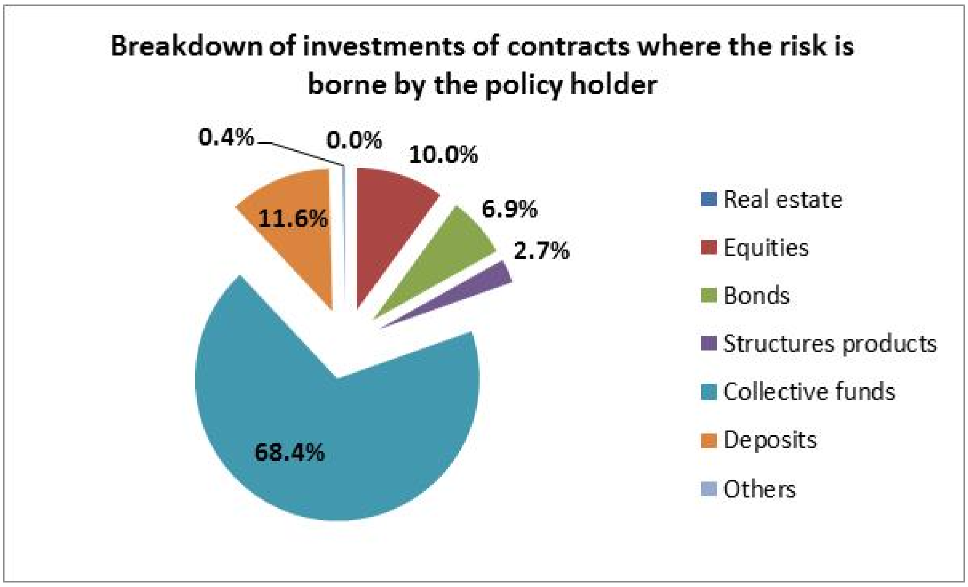
In millions of euros at	31 December 2018		31 December 2017	
	Market value	%	Market value	%
Real estate	-	-	-	-
Equities	166	2%	92	1%
Listed equities	231	3%	55	1%
Bonds	6 839	78%	6 687	83%
Government bonds	*2 158*	*25%*	*2 347*	*29%*
Corporate bonds	*4 533*	*52%*	*4 183*	*52%*
Structured bonds	*148*	*2%*	*157*	*2%*
Guaranteed securities	-	-	-	-
Collective funds	1 527	17%	1 264	16%
Equity funds	*488*	*6%*	*590*	*7%*
Bond funds	*313*	*4%*	*333*	*4%*
Money market funds	*532*	*6%*	*195*	*2%*
Asset allocation funds	-	-	-	-
Real estate funds	*132*	*2%*	*112*	*1%*
Hedge funds/Infrastructure/Private Equity	*48*	*1%*	*24*	*0%*
Other	*15*	*0%*	*11*	*0%*
Derivatives	-	-	-	-
Other investments	4	0%	3	0%
TOTAL GENERAL FUND INVESTMENTS	8 767	100%	8 101	100%

For this general assets, the market risk is mainly borne by Cardif Lux Vie, which guarantees the liability commitments for its policy holders. Through its prudent person policy, Cardif Lux Vie invests in asset classes enabling it to at least meet its obligations towards policy holders.

The general assets investment portfolio is exposed to the following risks: interest rate risk, equity risk, credit risk, issuer concentration risk, exchange rate risk and real estate risk. These risk exposures are described below.

Investment portfolio covering unit-linked liabilities

The investment portfolio representing unit-linked contracts is mainly composed of collective investment funds (68.4%), as illustrated below:



For this portfolio of unit-linked contracts, the prudent person policy also applies during the selection of investment assets by policy holders. Here, the market risk is mainly borne by policy holders; however, a fall in assets under management will have an impact on Cardif Lux Vie's revenue.

The unit-linked investment portfolio is exposed to the following risks: interest rate risk, equity risk, bond risk, foreign exchange risk and real estate risk. These risk exposures are described below.

C.2.c Risk exposure

The market SCR totalled €397 million at 31 December 2018 (2017: €337 million).

En millions d'euros, montant net, au	31 décembre 2018	31 décembre 2017
Risque de taux	27	35
Risque actions	162	194
Risque immobilier	38	18
Risque de différentiel de taux	197	113
Risque de concentration	57	2
Risque de change	2	45
Effet diversification	-85	-70
TOTAL SCR RISQUE DE MARCHE	397	337

The six risk sub-modules comprising the market SCR are:

- **the interest rate risk sub-module**, which seeks to quantify the capital requirement necessary to absorb the impact on the balance sheet of a rise or fall in the interest rate term structure. The capital requirement is equal to the maximum impact of a rise or fall in the interest rate term structure. For each maturity, upward or downward shocks are expressed in proportion to the interest rates.

The capital charge for this sub-module is low compared with the exposure to fixed-income instruments. This is due to the asset-liability management implemented on the general assets and the unit-linked investment policy.

The interest rate shocks applied to assets are largely absorbed by adjusting the liability discounting rate. As a result, the asset duration gap, shorter than for liabilities, generates most of the SCR of this sub-module. It originates from the prudence required when setting the asset investment horizon, given the option of surrendering liabilities at any time. It is essential therefore that any acceleration in liability cash flows can be met.

In addition, guaranteed minimum rate exposure is minor and only has a limited impact on the SCR of the interest rate risk sub-module.

The absorption capacity of liabilities with regard to other shocks (equities, real estate, credit spread) is solely derived from the adjustment of profit-sharing. It is therefore proportionally lower than in the case of interest rate shocks.

- the equity risk sub-module, which represents 34% of the market SCR before diversification at 31 December 2018 (2017: 48%). This sub-module is significant, taking into account the unit-linked investment portfolio which is mainly invested in investment funds and the shock level applied of 39% for equities listed in a European Union or OECD member state and 49% for other equities.

To avoid pro-cyclical behaviour, this shock is corrected by a symmetrical adjustment mechanism or “dampener”: it attenuates equity shock when the markets are at their lowest, and increases it when the markets reach a peak, i.e. when a fall is highly probable. On 31 December 2018, the dampener was -6.3% (2017: 1.9%), and the shocks applied were 32.7% or 42.7% depending on the type of share (2017: 40.9% and 50.9% respectively).

- the real estate risk sub-module, which measures the impact of a fall in real estate markets on asset value. It consists of an immediate 25% reduction in the market value of real estate assets. The capital charge is consistent with Cardif Lux Vie’s exposure.

- the credit spread risk sub-module, which represents 41% of the market SCR before diversification at 31 December 2018 (2017: 28%).

This sub-module is intended to quantify the capital requirement corresponding to the risk of widening credit spreads (actuarial difference between a bond rate and the equivalent risk-free government bond rate). The spread shock depends on the duration and rating of fixed income products. It only covers corporate bonds and bonds issued by non-European States, considering that bonds issued by European States are not subject to spread risk. Like interest rate risk, it varies according to the composition of the fixed income portfolio.

- the currency risk sub-module, which quantifies the capital cost of a 25% fall in foreign currencies against the euro. Cardif Lux Vie’s exposure is due to securities denominated in foreign currencies and held by the General Fund, and unit-linked investments.

- the concentration risk sub-module, which is covered in the next section.

C.2.d Concentration

The asset dispersion rules are laid down by the asset management government system. These rules are integrated into the General Fund management agreements and specify the dispersion ratios by issuer for each fixed income instrument and rating category.

C.2.e Risk management and monitoring

Risk management and mitigation

Cardif Lux Vie has the management tools necessary to calibrate its strategic asset allocation and to measure its asset-liability adjustment risks.

The **investment policy** dictates the framework applicable to asset management. It defines the principles used to match the structure of the asset portfolios with obligations towards policy holders upon the sale of insurance contracts, while maximising the expected return on investment compared with the risk limit set.

For each portfolio, the investment policy is governed by a **management agreement** which specifies the investment limits for each asset class.

The **asset-liability review** is used to project the expected cash flows for the assets and liabilities of the General Fund. They can be used to adjust the asset duration based on the profile of the different liabilities.

Exposure to market risk is also monitored through **specific and targeted studies**, such as the quarterly review of bond issuers, or the review of securities with an unrealised capital loss.

Furthermore, Cardif Lux Vie is exposed to **exchange rate risk** on its foreign currency investments. The foreign exchange position essentially consists of securities denominated in foreign currency financed by the purchase of the investment currency. The Cardif Lux Vie policy consists of hedging exposures to liquid currencies while maintaining a limited sensitivity of the solvency ratio to exchange rate movements.

Risk monitoring

Periodic monitoring of market risks is carried out by the Local Risk Committee as part of its actuarial and ALM governance and its Asset Management governance.

C.2.f Stress tests and sensitivity analyses

Stress tests are regularly reviewed as part of the asset-liability review. These test the ability of Cardif Lux Vie to honour its commitments in adverse market situations, taking into account the impact of such situations on policy holder behaviour.

In addition, specific stress tests can be performed at the request of the regulators.

Sensitivity tests were carried out on the Cardif Lux Vie SCR coverage ratio as at 31 December 2018, with the following results:

Coverage ratio at	31 December 2018
Central scenario	135%
12% fall in equities (with Dampener adjustment)	125%
60 basis point rise in interest rates and 30 basis point widening of spreads on corporate bonds and peripheral debt	133%

If the minimum SCR coverage envisaged in Cardif Lux Vie's Capital Management Policy is not met, corrective action may be taken to adjust own funds.

For this purpose, Cardif Lux Vie's Capital Management Policy notably allows partial or total retention of the dividend and the issuance of subordinated debt.

C.3 Counterparty risk

C.3.a Definition

Counterparty risk is the risk of loss due to the effects of a change in credit quality of issuers, counterparties or any other debtor to whom the Company is exposed. Among the debtors, the risks associated with financial instruments (including banks in which the Company holds deposits) and the risks associated with insurance receivables (collection of premiums, reinsurance balances, etc.) are divided into two categories: asset credit risk and liability credit risk.

C.3.b Risk exposure

The counterparty SCR totalled €16 million at 31 December 2018 (2017: €17 million). Of this, 97% relates to default risk exposures arising from reinsurance operations and cash deposits with credit institutions.

In millions of euros, at	31 December 2018	31 December 2017
TOTAL COUNTERPARTY RISK SCR	16	17

C.3.c Concentration

The **exposure to reinsurers** at 31 December 2018 mainly concerns two reinsurers. These are the most significant reinsurance treaties. The risk of default on these treaties is reduced by a cash deposit guarantee for the share of obligations in euros. This guarantee is recognised as collateral under Solvency II.

C.3.d Risk management and mitigation

Counterparty risk on **reinsurers** is managed through careful counterparty selection, the negotiation of guarantees and regular monitoring of the main exposures.

C.4 Liquidity risk

C.4.a Definition

Liquidity risk is the risk of being unable to honour expected or unexpected future liquidity demands arising from insurance obligations towards policy holders, owing to the impossibility of selling the assets within a suitable timeframe.

C.4.b Risk exposure

Liquidity risk exposure is reviewed at least annually. It is assessed on the one hand by monitoring the portfolio composition, and on the other hand through the Actuarial & Risk Management Department's review of the cash flow projections for the assets and liabilities of Cardif Lux Vie's General Fund.

- **General Fund:** The distribution of assets based on the liquidity of the financial instruments (liquid assets, hard to value assets and illiquid assets) was as follows, over the past two years:

The classification of assets depends on their type and rating. The General Fund includes 0.7% of strategic investments (real estate assets held directly) reclassified as illiquid assets.

The share of liquid assets is predominant. This level of liquidity can accommodate a significant change in the payment rate of the mathematical provisions.

- **Unit-linked investments:** exposure to risky and illiquid assets (alternative assets and private equity funds) as a percentage of the unit linked assets is as follows, over the past two years:

	31 December 2018	31 December 2017
Alternative assets	16.77%	17.60%
including Private Equity Funds	2.02%	2.08%

The exposure to illiquid assets has fallen slightly over the past two years and is below the warning thresholds and limits set by the Cardif Lux Vie Board of Directors. These are limits for acceptance of liquidity risk on unit linked investments.

C.4.c Risk management and mitigation

Liquidity risk is managed centrally by the Actuarial & Risk Management Department and Asset Management Department at Cardif Lux Vie.

- **Management and mitigation of liquidity risk at asset level**

Approval of assets and surveillance of composition of the General Fund

- **Approval of assets**: On the one hand, depending on the type of financial instrument, investment limits are set in the asset management agreement for the General Fund. On the other hand, when choosing the investment vehicles, Cardif Lux Vie takes into account elements of legal security, taxation if necessary, market risk, counterparties and liquidity. Each of these aspects is considered as part of a global approach to diversification and adaptation of the investment vehicles based on the commitments to be covered.
  Particular attention is paid to less liquid assets, taking into account their specific risks.
- **Surveillance of the composition of the General Fund**: The distribution of assets in the General Fund based on the liquidity (liquid assets, hard to value assets and illiquid assets) and compliance with the investment limits set in the management agreement is monitored quarterly by the LRC (Local Risk Committee) and is then presented to the Audit & Risk Committee.

Approval of illiquid assets and surveillance of composition of the internal funds

The aim is to limit the part of the assets that are invested in risky and illiquid assets: alternative assets and private equities.

- **Approval**: Management of liquidity risk for internal funds involves a rigorous process of approving the private equity assets and illiquid funds. These assets are first analysed by the Legal and Finance departments and then approved by a finance officer (CFO or
  Investment Compliance Officer) and legal officer (legal director or legal officer with responsibility for finance). They are also approved by the Commitments Committee.

- **Surveillance**: A quarterly monitoring of the exposure to unit linked assets is presented to the LRC and to the Audit & Risk Committee. This is done on the basis of the acceptance limits, mentioned above.

- **Management and mitigation of liquidity risk at liability level**

Monitoring of redemption rates

The regular monitoring of changes in redemption rates is intended to anticipate the policyholders' behaviour and thus optimise the allocation of assets and the management of liquidity. The contracts include an option to redeem at any time, backed by a capital guarantee for contracts invested in the General Fund. The redemption rate is monitored each quarter by the LRC and is then presented to the Audit & Risk Committee.

The redemption risk is still mitigated by the implementation of exit penalties for General Fund contracts.

Monitoring of the concentration of General Fund liabilities

The aim is to limit the concentration of liabilities on a small number of policyholders who may generate a liquidity risk in the case of large-scale redemptions. The concentration of the insurance liability is monitored each quarter by the LRC and is then presented to the Audit & Risk Committee.

C.4.d Sensitivity

Asset-liability matching studies are carried out in order to measure the liquidity spreads on the General Fund. The liquidity gaps were analysed with (central scenario) or without new business premiums over a 40-year projection horizon. The studies carried out show that Cardif Lux Vie is not subject to a risk of illiquidity of the assets in a central scenario.

In a normal withdrawal situation, in the absence of new business, the General Fund faces a limited liquidity deficit at the beginning of the projection (around €100 million in 2019, due to the large number of policies maturing this year).

Under new business assumptions, surplus liquidity is maintained throughout the projection due to the volume of inflows.

C.5 Operational risk

C.5.a Definition

Operational risk is the risk of loss resulting from the inadequacy or failure of internal processes, computer malfunctions or external, accidental or natural events.

External events do not include counterparty defaults, apart from counterparty fraud, nor changes in the financial markets which are events linked to market and liquidity risks.

Incidents attributed to credit and market risk are not included in the operational risks, in the same way as the consequences of these risks on reputation.

Operational risk covers fraud, HR risks, legal risks, risks of non-compliance, tax risks, risks associated with information systems and the provision of inappropriate financial services (conduct risk), the risk of failure of operational processes, including the underwriting process, model risk, and the possible financial consequences associated with reputational risk management.

Cardif Lux Vie has set up an internal control and operational risk management system and framework which are designed to be consistent with best practice in this area, especially as regards the new prudential regime established by the Solvency II Directive.

C.5.b Indicators of operational risk

These indicators are monitored quarterly by the Local Risk Committee of Cardif Lux Vie.

There is a focus on the major indicators: number of incidents declared, amount of loss (in relation to operational risk), client complaints, number of security incidents, etc.

C.5.c Risk exposure

The amount of SCR exposed to operational risk totalled €50 million at 31 December 2018 (2017: €41 million).

In millions of euros, at	31 December 2018	31 December 2017
SCR linked to operational risk calculated on the basis of mathematical provisions	41	39
SCR linked to operational risk calculated on the basis of earned premiums	50	41
TOTAL OPERATIONAL RISK SCR	50	41

C.5.d Main risk management or mitigation techniques

To manage operational, compliance and reputational risk, Cardif Lux Vie relies on both aspects of its general internal control system: permanent control and periodic control.

C.6 Other material risks

The main residual risk considered material for Cardif Lux Vie (liquidity risk) is described in the section on liquidity risk.

C.7 Other information

There is no other specific information.

D. Valuation for solvency purposes

Cardif Lux Vie prepares its balance sheet under Solvency II in accordance with Article 75 of the Solvency II Directive.

D.1 Assets

The balance sheet assets of Cardif Lux Vie were as follows:

In millions of euros, at 31 December	*Reference*	2018 Solvency II balance sheet	2018 Financial statements	2017 Solvency II balance sheet	2017 Financial statements
Deferred acquisition costs		-	-	-	0
Other intangible assets	A	-	13	-	12
Deferred tax assets	B	-	-	-	-
Property, plant and equipment held for own use		2	2	1	1
Investments (other than assets held for unit-linked contracts)	C	8 767	8 289	8 101	7 340
Assets held for unit-linked contracts	C	15 063	15 063	15 275	15 275
Other loans and mortgages		0	0	-	-
Loans on policies		0	0	1	1
Reinsurer's share of technical provisions	D	6	6	5	5
Deposits with ceding undertakings		-	-	-	-
Receivables arising from insurance operations		26	26	22	22
Receivables arising from reinsurance operations		3	3	2	2
Other receivables (excluding insurance)	E	151	154	126	126
Cash and cash equivalents		150	150	208	208
Other assets		10	10	8	8
ASSETS		24 178	23 717	23 749	23 001

Letters A to E refer to the valuation methods described below. No specific comment is required for the other items as regards the valuation methods used to prepare the financial statements.

Reconciliation with the financial statements and asset valuation methods:

In millions of euros, at 31 December	*Reference*	2018 amounts	2017 amounts
Recognition at fair value of intangible assets	A	- 13	- 12
Tax effect on restatements	B	-	-
Recognition at fair value of financial assets	C	478	761
Valuation of insurance liabilities under Solvency II	D	- 0	- 0
Recognition at fair value of other receivables	E	- 3	- 0
TOTAL RESTATEMENTS		461	749

In accordance with Article 75 of the Directive, assets are valued “at the amount for which they could be exchanged between knowledgeable willing parties in an arm’s length transaction”.

Investments representing unit-linked liabilities are valued at the market price in the financial statements according to the same valuation methods as those adopted for Solvency II.

A. Other intangible assets

Intangible assets have a zero carrying amount. As long as they are identifiable and there is an active market for similar assets, they are measured at their market value.

B. Deferred tax assets

Deferred taxes are determined according to the method described in paragraph D.5 (Other information). Deferred tax assets are recognised for all deductible temporary differences and tax losses that can be carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and tax losses can be utilised.

C. Financial investments

Financial assets are classified in the balance sheet according to the Complementary Identification Codes (CIC) defined by EIOPA.

Financial investments are valued at the market price in order to determine their current value. The market price reflects the last known listed value for the period or the value at which an investment may be disposed of, estimated prudently and in good faith.

The market value of financial assets is determined either using prices obtained directly from market data, or prices resulting from valuation techniques calibrated to reflect the current market conditions.

- **Equities issued by holdings** are unlisted and valued according to the share of adjusted net equity (according to the adjusted equity method – AEM).
- **Equities** (other than from holdings[1]), **bonds, investment funds and other investments** are mainly valued using quoted prices in an active market, at the “Quoted Market Price (QMP)” for identical assets, or at the “Quoted Market Price for Similar Assets (QMPS)”, for similar assets. The characteristics of an active market include the existence of transactions that take place with sufficient frequency and volume to provide pricing information on an ongoing basis. In the absence of prices quoted in an active market, the Company uses valuation techniques (see paragraph D.4).
- Investments representing **unit-linked liabilities** are primarily valued using prices quoted in an active market for identical assets (“Quoted Market Price (QMP)”). In the absence of prices quoted in an active market, the Company uses valuation techniques (see paragraph D.4).

[1] i.e. “other than shares issued by companies which are holdings within the meaning of the Solvency II Directive”.

The distribution of investments by valuation method was as follows:

In millions of euros, at	*31 décembre 2018*				*31 December 2017***			
	Total	*Quoted price (identical or similar assets)*	*Alternative valuation method*	*Adjusted equity method*	Total	*Quoted price (identical or similar assets)*	*Alternative valuation method*	*Adjusted equity method*
Equities	166	-	-	166	92	-	-	92
Listed equities	231	231	-	-	55	55	-	-
Government bonds	2 158	2 158	-	-	2 347	2 347	-	-
Corporate bonds	4 533	4 533	-	-	4 183	4 183	-	-
Structured bonds	148	148	-	-	157	157	-	-
Collective investment undertakings	1 528	1 329	199	-	1 264	1 104	160	-
Other investments	3	3	-	-	3	3	-	-
Investments (excluding investments representing unit-linked liabilities)	8 767	8 402	199	166	8 101	7 849	160	92
Investments representing unit-linked liabilities	15 063	13 238	1 825	-	15 275	13 608	1 667	-

D. Share of assignees and retrocessionaires in technical provisions

The valuation method of ceded technical provisions follows the same principles as the technical provisions described in paragraph D.2. At 31 December 2018, ceded technical provisions amounted to €6.2 million (2017: €5.0 million).

E. Other receivables

The receivable relating to advance taxes paid by Cardif Lux Vie for clients resident in Italy for tax purposes is valued on the basis of the actual value of the future recoverable flows expected from the Italian tax authorities.

D.2 Technical provisions

D.2.a Summary of technical provisions by *line of business* under Solvency II

In millions of euros, at	31 December 2018			31 December 2017		
	BEL – Best estimate of liabilities	Risk margin	Total	BEL – Best estimate of liabilities	Risk margin	Total
Health similar to non-life	-	-	-	-	-	-
Health similar to life	-	-	-	-	-	-
Health	-	-	-	-	-	-
Life (excluding health, index-linked and unit-linked)	8 076	32	8 108	7 476	36	7 512
Index-linked and unit-linked contracts	14 900	89	14 989	15 121	83	15 204
Life (non-health)	22 975	122	23 097	22 597	119	22 717
TOTAL TECHNICAL PROVISIONS	22 975	122	23 097	22 597	119	22 717

The best estimate of liabilities (BEL) changes to reflect growth in the portfolio.

D.2.b Reconciliation with the financial statements

In millions of euros, at 31 December	2018 Solvency II balance sheet	2018 Financial statements	2017 Solvency II balance sheet	2017 Financial statements
Gross technical provision – Non-life excluding health	-	-	-	-
Gross technical provision – Health similar to non-life	-	-	-	-
Best estimate	-	-	-	-
Risk margin	-	-	-	-
Gross technical provision – Health similar to life	-	-	-	-
Best estimate	-	-	-	-
Risk margin	-	-	-	-
Gross technical provision – Life (excluding health, unit-linked or index-linked)	8 108	7 757	7 512	6 967
Best estimate	*8 076*	-	*7 476*	-
Risk margin	*32*	-	*36*	-
Gross technical provision – UL or index-linked	14 989	15 063	15 204	15 275
Best estimate	*14 900*	-	*15 121*	-
Risk margin	*89*	-	*83*	-
SUBTOTAL TECHNICAL PROVISIONS INCLUDING BEST ESTIMATE OF LIABILITIES	23 097	22 820	22 717	22 242

The main reason for the difference between the accounting technical provisions and Solvency II provisions is because the calculations include the following items:

- unrealised capital gains,
- future profit-sharing,
- risk margin.

D.2.c Valuation principles for technical provisions

In accordance with Article 101 of the Law of 7 December 2015 on the insurance sector, developed by the CAA, and Article 75 b) of the Solvency II Directive, *“the value of technical provisions shall correspond to the current amount insurance and reinsurance undertakings would have to pay if they were to transfer their insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking”.*

The technical provisions are equal to the sum of the best estimate of liabilities (BEL) and risk margin (RM).

The BEL corresponds to the probable value of cash inflows and outflows of the portfolio at 31 December 2018, discounted with the risk-free interest rate term structure, minus the credit risk and plus the volatility adjustment.

The risk margin is calculated using “method 2” of the simplifications proposed in Guideline 61 of the Guidelines on the Valuation of Technical Provisions (EIOPA-BoS-14/166). This methodology is based on the projection of risk sub-modules in proportion to certain indicators known as “drivers” to calculate the future reference SCR.

D.2.d Valuation methods for technical provisions – General

Projection models

Cash flows are projected over a time horizon of 40 years using Group or local deterministic and stochastic models. The projected cash flows are estimated using the best estimate of assumptions, particularly with regard to the rules on mortality, redemptions, disability claims, inflation, fees and claims expense. Where financial guarantees and options exist, including profit-sharing, stochastic calculations are made to assess these in accordance with the structure of risk-neutral economic scenarios.

D.2.e Valuation methods for technical provisions- Savings and Protection

Contract boundaries

The contract boundary is defined as the date on which the insurer has the unilateral right to terminate the contract, to reject premiums or to amend the premiums in such a way as to reflect risk. An analysis is required of the general terms and conditions of contracts, partner agreements and local regulations to define the frontier of each risk and generation of contracts.

D.2.f Level of uncertainty associated with the value of technical provisions

The main factors of uncertainty identified for technical provisions originate from two sources: process risks and model risks.

Process risks

Process risks are mitigated through checks carried out at each stage of the Solvency II calculation process. The system of governance identifies specific checks regarding data quality, which have been implemented throughout the process. The BNP Paribas Cardif Group also carries out checks on the calculations of Cardif Lux Vie.

Model risks

The value of technical provisions is based on long-term cash flow projections and requires the formulation of assumptions and the use of models. This requires judgement to be exercised and the use of information available at the calculation date. The value of technical provisions therefore involves a degree of uncertainty.

D.2.g Interest rate term structure

Cardif Lux Vie uses the risk-free interest rate term structure published by EIOPA, to which Volatility Adjustment (VA) was recently added.

However, the Company has elected not to apply the following transitional measures:

- matching adjustment,
- transitional measure on interest rates,
- transitional deduction measure.

The EUR Volatility Adjustment for the euro interest rate published by EIOPA and used for calculations at 31 December 2018 is a maximum of 0.24% (2017: 0.04%).

D.3 Other liabilities

The valuation of other liabilities in the Cardif Lux Vie balance sheet is explained below:

In millions of euros, at 31 December 2016	*Reference*	2018 Solvency II balance sheet	2018 Financial statements	2017 Solvency II balance sheet	2017 Financial statements
Provisions other than technical provisions	A	75	75	64	63
Deposits from reinsurers		4	4	2	2
Deferred tax liabilities	B	46	-	57	-
Liabilities to credit institutions	C	72	71	56	56
Liabilities arising from insurance operations		166	166	158	158
Liabilities arising from reinsurance operations		3	3	3	3
Other liabilities (not linked to insurance operations)		69	69	66	66
Subordinated liabilities included in basic own funds	D	217	211	177	124
Other liabilities not elsewhere shown		2	2	2	2
LIABILITIES		654	602	585	474

Notes A to D refer to the valuation methods of other liabilities described below.

Reconciliation with the financial statements and valuation methods of other liabilities:

In millions of euros, at 31 December	*Reference*	2018 amounts	2017 amounts
Revaluation of employee benefit obligations	A	-	1
Tax effect on restatements	B	46	57
Revaluation of debts owed to credit institutions	C	1	0
Revaluation of subordinated liabilities	D	6	53
TOTAL RESTATEMENTS		52	111

In accordance with Article 75 of the Directive, other liabilities are valued “at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm’s length transaction”.

A. Provisions other than technical provisions

These provisions mainly consist of provisions for income taxes, as well as provisions for other risks and charges related to litigation and provisions for employee benefit obligations.

The restatement between the local balance sheet and Solvency II amounts relates to the revaluation of provisions for employee benefit obligations. Employee benefit obligations consist of post-employment benefits (pensions and other retirement benefits) and other long-term benefits (long-service awards). These pension liabilities are valued on the basis of the present value of the future benefits obligation, and reduced by the fair value of the plan assets.

B. Deferred tax liabilities

Deferred tax liabilities are tax liabilities. They are determined according to the method described in paragraph D.5 under “Other information”.

C. Liabilities to credit institutions

This item is measured at fair value by discounting future financial flows at the risk-free rate plus the issuer spread on the issue date.

D. Subordinated debt

This item is measured at fair value by discounting future financial flows at the risk-free rate plus the issuer spread on the valuation date.

D.4 Alternative valuation methods

In the absence of a price quoted in an active market, the Company relies on the information available, including the financial statements, custodian statements and other sources considered relevant in order to estimate the current value of the investments.

The valuation methods generally used are as follows:

- **Hedge funds (real estate funds, commodities, hedge funds**, etc.) are generally valued on the basis of the net asset values published by the registrars of the funds concerned.
- **Private equity funds** are usually valued on the basis of the net asset values published by the management company, if necessary adjusted for calls for funds/distributions made since the calculation date.
- Direct investments in equities, bonds, certificates, etc. issued by unlisted companies (P**ure Private Equity**) are usually valued on the basis of the information available, mainly taken from the financial statements or expert reports.
- **Structured products** are generally valued on the basis of the valuations provided by the structurer.
- **Deposits** (other than cash equivalents) are valued at their nominal value, which corresponds to their fair value.
- Negotiated OTC **derivatives** are usually valued on the basis of the valuations provided by banking counterparties.

D.5 Other information

Deferred tax is calculated on the basis of temporary differences between the carrying amounts of assets and liabilities on the Solvency II balance sheet and their tax base.

Tax credits and tax losses that can be carried forward are recognised and valued in accordance with IFRS.

Deferred tax assets and liabilities are measured using the liability method at the tax rate assumed to apply in the period in which the asset will be realised or the liability settled, on the basis of the tax rate and tax regulations that have been or will be adopted prior to the balance sheet date. They are not discounted.

Deferred tax assets are recorded in the balance sheet if it can be demonstrated that future taxable profits will be available within a reasonable time in order to absorb them.

Deferred tax assets and deferred tax liabilities are offset against each other if, and only if:

- they relate to taxes levied by the same tax authority and on the same taxable entity,
- there is a legally enforceable right to set off current tax assets against current tax liabilities.

E. Capital management

E.1 Own funds

E.1.a Objectives and management policy of own funds to cover the SCR/MCR

Cardif Lux Vie monitors its capital to ensure an optimised and sufficient capital structure able to fulfil the prudential requirements and provide sufficient financial resilience.

Cardif Lux Vie applies grandfathering measures relating to the classification of own funds, but has chosen target measures for the SCR calculation.

Cardif Lux Vie bases its **Capital Management Policy** on the following principles:

- Ensure a level of own funds such that following a 1 in 200 year

  event and absorption of 90% of the SCR, it would still be sufficient to allow Cardif Lux Vie to continue trading.
- Cover at least 100% of the SCR defined as part of the ORSA valuation (Pillar II).
- Optimise the structure of own funds by searching for the best balance between share capital, subordinated debt and other components of equity, in accordance with the limits and levels defined by the regulations.
- Capital adjustments may be initiated depending on the observed levels of solvency ratio and projections made during the ORSA.

E.1.b Significant events in 2017 and 2018

On 21 December 2018, Cardif Lux Vie issued two new subordinated loans for a total amount of €87 million for a period of 10 years.

There were no significant events to report for 2017.

E.1.c Structure, amount and quality of own funds

Available own funds totalled €642 million at 31 December 2018 (2017: €599 million) and consisted of the following items:

In millions of euros, at	31 December 2018	*31 December 2017*
Share capital	172	172
Reconciliation reserve	254	250
Subordinated liabilities	217	177
Total equity	642	599

The reconciliation reserve of 254 million euros (2017: 250 million euros), eligible for classification as Tier 1, breaks down as follows:

In millions of euros, at	31 December 2018	31 December 2017
Balance sheet results and reserves	124	114
Restatements under Solvency II	132	163
Impact on future profits net of taxes	*146*	*211*
Other restatements	*- 14*	*- 48*
Expected distribution	- 2	- 27
TOTAL RECONCILIATION RESERVE	254	250

* reclassification of comparative data to be in compliance with the 2018 presentation

The impact on future profits net of taxes reflects the revaluation differences of assets and liabilities under Solvency II standards.

Own funds are classified into two tiers, depending on their availability, their subordination level in covering obligations to policy holders, and their duration.

The composition of each tier is based on transitional measures and is as follows for 2018 and 2017:

In millions of euros, at	31 December 2018	*Unrestricted tier 1 capital*	*Restricted tier 1 capital*	*Tier 2 capital*
Share capital	172	172	-	-
Reconciliation reserve	254	254	-	-
Subordinated liabilities	217	-	77	139
Total basic own funds	642	425	77	139

In millions of euros, at	31 December 2017	*Unrestricted tier 1 capital*	*Restricted tier 1 capital*	*Tier 2 capital*
Share capital	172	172	-	-
Reconciliation reserve	250	250	-	-
Subordinated liabilities	177	-	105	71
Total basic own funds	599	422	105	71

E.1.d Fungibility and transferability of own funds

Not applicable

E.1.e Classification of own funds excluding transitional measures

In millions of euros, at	31 December 2018	*Tier 1 capital*	*Tier 2 capital*
Share capital	172	172	-
Reconciliation reserve	254	254	-
Subordinated liabilities	139	-	139
Total basic own funds	565	425	139

In millions of euros, at	31 December 2017	*Tier 1 capital*	*Tier 2 capital*
Share capital	172	172	-
Reconciliation reserve	250	250	-
Subordinated liabilities	71	-	71
Total basic own funds	493	422	71

Subordinated debt classified as tier 1 under the transitional measures would no longer be eligible to cover the SCR and MCR under the target measures. These securities contain a clause allowing the contractual redemption of the subordinated debt at any time, subject to approval from the regulator, following regulatory changes or accounting events.

The securities not eligible outside transitional measures totalled €77 million at 31 December 2018 (2017: €105 million).

E.2 Regulatory capital requirements (SCR and MCR)

E.2.a Amounts of SCR and MCR

At 31 December 2018, the SCR and MCR were, respectively, €476 million (2017: €408 million) and €214 million (2017: €184 million). The MCR was capped at 45% of the SCR.

In millions of euros, at	31 December 2018	31 December 2017
Linear minimum capital requirement	336	311
Solvency capital requirement (SCR)	476	408
Minimum capital requirement – floor	214	184
Minimum capital requirement – cap	119	102
Minimum capital requirement – combined	214	184
Absolute floor of the Minimum Capital Requirement	4	4
MINIMUM CAPITAL REQUIREMENT (MCR)	214	184

E.2.b Information on the data used to calculate the MCR

The following data were used in the MCR calculation:

- the technical provisions described in paragraph D.2;
- the amounts of net premiums written for the fiscal year;
- capital at risk.

E.2.c Amount of SCR per risk module

The SCR at 31 December 2018 was €476 million (2017: €408 million). This is mainly due to the preponderance of the market SCR and the life underwriting SCR (see Section C on Risk Profile).

Deferred taxes reflect the share of future taxes on future profits from Solvency II adjustments. The loss-absorption capacity of technical provisions represents the revaluation adjustment by profit-sharing in stress scenarios.

In millions of euros, at	31 December 2018		31 December 2017	
	Net amount	Gross amount	Net amount	Gross amount
Market risk	397	860	337	840
Default risk	16	16	17	17
Life underwriting risk	165	280	179	258
Health underwriting risk	-	-	-	-
Non-life underwriting risk	-	-	-	-
Diversification	- 107	- 183	-108	-172
Risk linked to intangible assets	-	-	-	-
BASIC SOLVENCY CAPITAL REQUIREMENT	472	974	424	944
Operational risk	50	-	41	-
Absorption capacity of technical provisions	- 502	-	-519	-
Absorption capacity of deferred tax	- 46	-	-57	-
SOLVENCY CAPITAL REQUIREMENT (SCR)	476	-	408	-

The change by risk module is described in Section C on Risk Profile.

E.2.d Coverage ratios

The SCR and MCR coverage ratios were 135% and 255% respectively at 31 December 2018 (2017: 147% and 307%).

In millions of euros, at	31 December 2018				
	Total	Unrestricted tier 1 capital	Restricted tier 1 capital	Tier 2 capital	Tier 3 capital
Own funds eligible for the solvency capital requirement	642	425	77	139	-
Own funds eligible for the minimum capital requirement	545	425	77	43	-
Solvency capital requirement (SCR)	476				
Minimum Capital Requirement (MCR)	214				
Eligible own funds as a ratio of the solvency capital requirement	135%				
Eligible own funds as a ratio of the minimum capital requirement	255%				

In millions of euros, at	31 December 2017				
	Total	Unrestricted tier 1 capital	Restricted tier 1 capital	Tier 2 capital	Tier 3 capital
Own funds eligible for the solvency capital requirement	599	422	105	71	-
Own funds eligible for the minimum capital requirement	564	422	105	37	-
Solvency capital requirement (SCR)	408				
Minimum Capital Requirement (MCR)	184				
Eligible own funds as a ratio of the solvency capital requirement	147%				
Eligible own funds as a ratio of the minimum capital requirement	307%				

The SCR coverage level is consistent with Cardif Lux Vie’s capital management policy.

E.2.e Information on simplified calculations

No simplified calculation has been applied.

E.2.f Use of undertaking-specific parameters (USP)

Not applicable.

E.3 Calculation option used to calculate the SCR (Article 304)

The duration was not taken into account in the assessment of equity risk, in accordance with Article 304 of Directive 2009/138/EC.

E.4 Differences between the standard formula and the internal model

Not applicable.

E.5 Amount of non-conformities with MCR and SCR

Not applicable.

E.6 Other information

There is no other specific information.

F. Acronyms

AEM	Adjusted Equity Method
ALM	Asset and Liability Management
AUM	Assets Under Management
BEL	Best Estimate of Liabilities
BSCR	Basic Solvency Capital Requirement
CAA	Commissariat aux Assurances
COO	Chief Operating Officer
CRO	Chief Risk Officer
EIOPA	European Insurance and Occupational Pensions Authority
GAAP	Generally Accepted Accounting Principles
MCR	Minimum Capital Requirement
OECD	Organisation for Economic Co-operation and Development
ORSA	Own Risk and Solvency Assessment
QMP	Quoted Market Price
QMPS	Quoted Market Price for Similar Assets
RM	Risk Margin
S2	Solvency II
SAA	Strategic Asset Allocation
SCR	Solvency Capital Requirement
UL	Units of account
VA	Volatility Adjustment

G. Appendix – Quantitative Reporting Templates

S.02.01.02 – Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	1 815 814
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	8 767 048 548
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	165 891 949
Equities	R0100	231 197 765
Equities - listed	R0110	231 197 765
Equities - unlisted	R0120	0
Bonds	R0130	6 838 930 828
Government Bonds	R0140	2 157 763 297
Corporate Bonds	R0150	4 532 932 186
Structured notes	R0160	148 235 346
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	1 527 588 051
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	0
Other investments	R0210	3 439 954
Assets held for index-linked and unit-linked contracts	R0220	15 063 392 323
Loans and mortgages	R0230	242 881
Loans on policies	R0240	242 881
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	6 248 475
Non-life and health similar to non-life	R0280	0
Non-life excluding health	R0290	0
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	6 248 475
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	6 248 475
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	26 101 487
Reinsurance receivables	R0370	2 868 141
Receivables (trade, not insurance)	R0380	150 763 451
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	149 996 173
Any other assets, not elsewhere shown	R0420	9 936 322
Total assets	R0500	**24 178 413 615**

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	0
Technical provisions – non-life (excluding health)	R0520	0
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	0
Risk margin	R0550	0
Technical provisions - health (similar to non-life)	R0560	0
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	8 108 053 525
Technical provisions - health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	8 108 053 525
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	8 075 735 695
Risk margin	R0680	32 317 830
Technical provisions – index-linked and unit-linked	R0690	14 988 960 653
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	14 899 706 157
Risk margin	R0720	89 254 496
Other technical provisions	R0730	
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	75 069 763
Pension benefit obligations	R0760	214 993
Deposits from reinsurers	R0770	3 551 229
Deferred tax liabilities	R0780	46 330 894
Derivatives	R0790	0
Debts owed to credit institutions	R0800	71 880 403
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	166 119 238
Reinsurance payables	R0830	3 304 160
Payables (trade, not insurance)	R0840	69 409 231
Subordinated liabilities	R0850	216 567 597
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	216 567 597
Any other liabilities, not elsewhere shown	R0880	1 941 144
Total liabilities	R0900	**23 751 402 829**
Excess of assets over liabilities	R1000	**427 010 786**

S.05.01.02 – Premiums, claims and expenses by line of business

		Line of business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	0	1 057 221 527	1 579 670 845	33 613 499					2 670 505 872
Reinsurers' share	R1420	0	0	0	8 521 420					8 521 420
Net	R1500	0	1 057 221 527	1 579 670 845	25 092 079					2 661 984 451
Premiums earned										
Gross	R1510	0	1 057 221 527	1 579 670 845	33 613 499					2 670 505 872
Reinsurers' share	R1520	0	0	0	8 521 420					8 521 420
Net	R1600	0	1 057 221 527	1 579 670 845	25 092 079					2 661 984 451
Claims incurred										
Gross	R1610	0	418 126 023	832 011 713	15 067 769					1 265 205 505
Reinsurers' share	R1620	0	0	0	3 023 181					3 023 181
Net	R1700	0	418 126 023	832 011 713	12 044 588					1 262 182 324
Change in other technical provisions										
Gross	R1710	0	782 352 732	211 460 702	8 365 958					1 002 179 393
Reinsurers' share	R1720	0	0	0	0					0
Net	R1800	0	782 352 732	211 460 702	8 365 958					1 002 179 393
Expenses incurred	R1900	0	33 247 206	59 562 507	5 259 122					98 068 834
Other expenses	R2500									0
Total expenses	R2600									98 068 834

S.05.02.01 – Premiums, claims and expenses by country

		Home country	Top 5 countries (by amount of gross premiums written) – life obligations					Total Top 5 and home country
			BE	FR	GB	IT	MC	
		C0220	C0230	C0230	C0230	C0230	C0230	C0280
Premiums written								
Gross	R1410	306 410 148	77 020 188	1 013 451 083	83 329 391	973 034 035	45 736 222	2 498 981 066
Reinsurers' share	R1420	8 521 420	0	0	0	0	0	8 521 420
Net	R1500	297 888 727	77 020 188	1 013 451 083	83 329 391	973 034 035	45 736 222	2 490 459 646
Premiums earned								
Gross	R1510	306 410 148	77 020 188	1 013 451 083	83 329 391	973 034 035	45 736 222	2 498 981 066
Reinsurers' share	R1520	8 521 420	0	0	0	0	0	8 521 420
Net	R1600	297 888 727	77 020 188	1 013 451 083	83 329 391	973 034 035	45 736 222	2 490 459 646
Claims incurred								
Gross	R1610	84 894 376	248 741 096	446 165 830	34 761 672	227 428 460	52 384 298	1 094 375 732
Reinsurers' share	R1620	3 023 181	0	0	0	0	0	3 023 181
Net	R1700	81 871 195	248 741 096	446 165 830	34 761 672	227 428 460	52 384 298	1 091 352 551
Change in other technical provisions								
Gross	R1710	218 840 564	273 501 930	121 072 820	23 292 510	598 335 924	22 165 197	1 257 208 943
Reinsurers' share	R1720	0	0	0	0	0	0	0
Net	R1800	218 840 564	273 501 930	121 072 820	23 292 510	598 335 924	22 165 197	1 257 208 943
Expenses incurred	R1900	26 159 337	12 985 950	39 453 636	2 118 746	9 487 033	2 071 216	92 275 917
Other expenses	R2500							
Total expenses	R2600							92 275 917

S.12.01.02 – Life technical provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)
				Contracts without options and guarantees	Contracts with options and guarantees		Contracts without options and guarantees	Contracts with options and guarantees	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0150
Technical provisions calculated as a whole	R0010	0	0	-	-	0	-	-	0
Total recoverables from reinsurance/securitisation vehicles and finite reinsurance, after adjustment for expected losses due to counterparty default associated with technical provisions calculated as a whole	R0020	0	0	-	-	0	-	-	0
Technical provisions calculated as a sum of best estimate and risk margin		-	-	-	-	-	-	-	-
Best estimate		-	-	-	-	-	-	-	-
Gross best estimate	R0030	7 934 063 081		14 899 706 157	0		141 672 613	0	22 975 441 852
Total recoverables from reinsurance/securitisation vehicles and finite reinsurance, after adjustment for expected losses due to counterparty default	R0080	0		0	0		6 258 263	0	6 258 263
Best estimate minus recoverables from reinsurance/securitisation vehicles and finite reinsurance	R0090	7 934 063 081		14 899 706 157	0		135 424 138	0	22 969 193 377
Risk margin	R0100	17 562 746	89 254 496			14 755 084			121 572 325
Amount of the transitional on technical provisions		-	-	-	-	-	-	-	-
Technical provisions calculated as a whole	R0110	0	0	-	-	0	-	-	0
Best estimate	R0120	0	-	0	0	-	0	0	-
Risk margin	R0130	0	0	-	-	0	-	-	-
Technical provisions – total	R0200	7 951 625 827	14 988 960 653			156 427 697			23 097 014 178

S.22.01.21 – Impact of long-term guarantees and transitional measures

		Amount with long-term guarantees and transitional measures	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	23 097 014 178	0	0	44 214 986	0
Basic own funds	R0020	641 928 463	0	0	-32 714 668	0
Excess of assets over liabilities	R0030	427 010 786	0	0	-32 714 668	0
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0040		0	0	0	0
Eligible own funds to meet SCR	R0050	641 928 463	0	0	-32 714 668	0
Tier 1	R0060	502 600 589	0	0	-32 714 668	0
Tier 2	R0070	139 327 875	0	0	0	0
Tier 3	R0080	0	0	0	0	0
SCR	R0090	475 521 777	0	0	58 851 757	0
Eligible own funds to meet MCR	R0100	545 397 549	0	0	-27 418 010	0
MCR	R0110	213 984 799	0	0	26 483 291	0

S.23.01.01 – Own funds

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sectors, as provided for in Article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	171 704 950	171 704 950		0	
Share premium account related to ordinary share capital	R0030	0	0		0	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	253 655 916	253 655 916			
Subordinated labilities	R0140	216 567 597		77 239 722	139 327 875	0
Amount equal to the value of net deferred tax assets	R0160	0				0
Other items approved by supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in other financial undertakings	R0230					
Total basic own funds after deductions	R0290	641 928 463	425 360 866	77 239 722	139 327 875	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320					
Legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of Directive 2009/138/EC	R0350					
Supplementary members calls under Article 96(3) of Directive 2009/138/EC	R0360	0			0	
Supplementary members calls other than under Article 96(3) of Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390					
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	641 928 463	425 360 866	77 239 722	139 327 875	0
Total available own funds to meet the MCR	R0510	641 928 463	425 360 866	77 239 722	139 327 875	
Total eligible own funds to meet the SCR	R0540	641 928 463	425 360 866	77 239 722	139 327 875	0
Total eligible own funds to meet the MCR	R0550	545 397 549	425 360 866	77 239 722	42 796 960	
SCR	R0580	475 521 777				
MCR	R0600	213 984 799				
Ratio of eligible own funds to SCR	R0620	135%				
Ratio of eligible own funds to MCR	R0640	255%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	427 010 786
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	1 649 920
Other basic own-fund items	R0730	171 704 950
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation reserve	R0760	253 655 916
Expected profits		
Expected profits included in future premiums (EPIFP) – Life business	R0770	17 193 758
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	0
Total EPIFP	R0790	17 193 758

S.25.01.21 – Solvency capital requirement

		Net solvency capital requirement	Gross solvency capital requirement	Allocation of adjustments due to matching adjustment
		C0030	C0040	C0050
Market risk	R0010	397 128 172	859 999 562	
Counterparty default risk	R0020	15 980 019	15 980 019	
Life underwriting risk	R0030	165 081 887	280 353 788	
Health underwriting risk	R0040	0	0	
Non-life underwriting risk	R0050	0	0	
Diversification	R0060	-106 502 074	-182 620 703	
Intangible asset risk	R0070	0	0	
Basic solvency capital requirement	R0100	471 688 004	973 712 665	

		Value
		C0100
Adjustment due to the aggregation of the nSCR of matching adjustment portfolios/ring fenced funds	R0120	0
Operational risk	R0130	50 164 667
Loss-absorbing capacity of technical provisions	R0140	-502 024 661
Loss-absorbing capacity of deferred taxes	R0150	-46 330 894
Capital requirement for business operated in accordance with Article 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement, excluding capital add-on	R0200	475 521 777

S.28.01.01 – Minimum capital requirement (MCR)

Linear formula component for non-life insurance and reinsurance obligations		C0010
MCR_{NL} Result	R0010	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expenses and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations		C0040
MCR_{L} Result	R0200	335 744 262

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	7 181 059 515	
Obligations with profit participation – future discretionary benefits	R0220	753 003 567	
Index-linked and unit-linked insurance obligations	R0230	14 899 706 157	
Other life (re)insurance and health (re)insurance obligations	R0240	135 424 138	
Total capital at risk for all life (re)insurance obligations	R0250		2 895 113 420

Overall MCR calculation		C0070
Linear MCR	R0300	335 744 262
SCR	R0310	475 521 777
MCR cap	R0320	213 984 799
MCR floor	R0330	118 880 444
Combined MCR	R0340	213 984 799
Absolute floor of the MCR	R0350	3 700 000
MCR	R0400	213 984 799